Plantation

Inventories Inch Higher As Production Gains Momentum

OVERWEIGHT
(Maintained)

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Highlights

- MPOB's Apr 26 data showed palm oil inventories rose 1.7% mom, reversing the declining trend recorded over the past three months.
- We expect inventory levels to continue expanding in May as production is anticipated to trend higher while exports could remain relatively subdued.
- Maintain OVERWEIGHT. Sector picks: SD Guthrie (BUY/Target: RM6.90) and Hap Seng Plantations (BUY/Target: RM2.65).

Analysis

- **MPOB's Apr 26 data.** End-stocks rose marginally by 1.7% mom to 2.31m tonnes, exceeding market expectations of 2.25m tonnes. The increase was primarily driven by stronger production alongside weaker exports performance.
- **Production** increased 18% mom to 1.63m tonnes, broadly in line with market expectations. However, output continued to moderate on a yoy basis (-3.4%), reflecting a normalisation in production following strong yields recorded towards the end of 2025. Among the major producing states, Sarawak (+19%) and Johor (+29%) led mom production growth and recorded higher output yoy, while production across the remaining states largely declined on yearly basis.
- **Exports** declined 14% mom to 1.30m tonnes, falling below market expectations after posting a strong rebound in the previous month. According to Intertek cargo surveyors, the decline was mainly attributable to lower shipments to Africa (-22% mom) and Middle East (-67% mom) while demand from China remained sluggish (-45% mom).
- **Biodiesel** exports increased threefold to 37,825 tonnes, the highest level in five months, supported by improved price competitiveness following the surge in global crude oil prices.
- **Outlook.** Palm oil production is expected to continue trending higher over the coming months heading into the peak production season. However, exports could remain subdued as elevated prices could defer buying interests from key markets such as India and China. In addition, palm oil continues to trade at a premium to Argentina SBO, reducing its relative competitiveness in the price sensitive market. Early exports surveys for 1-10 May 26 indicate a mixed view, with estimates ranging from -8% to 8% mom. Overall, inventory levels are expected to expand further in May 26 as production growth continues to outpace export demand during the peak production cycle.

Segmental Rating

Segment	Rating
Malaysia	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	HAPL MK	BUY	2.21	2.65
SD Guthrie	SDG MK	BUY	6.10	6.90

Source: Bloomberg, UOB Kay Hian

CPO Price Assumptions (RM/Tonne)

	CPO Price (RM/tonne)
2021	4,408
2022	5,088
2023	3,810
2024	4,180
2025	4,306
Our Forecast:	
2026F	4,500
CPO Price:	
MPOB @ 8 May 26	4,515
BMD 3rd Month Contract	4,504

Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 11 May 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (RM)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.21	2.65	19.9	Dec-25	11.3	7.5	7.3	5.5	5.9	1,767,3	0.9
SD Guthrie	SDG MK	BUY	6.10	6.90	13.1	Dec-25	21.6	19.4	21.1	2.9	12.2	42,158.9	2.1
Genting Plantations	GENP MK	HOLD	5.21	5.48	5.2	Dec-25	12.3	11.4	10.7	4.9	6.9	4,674.2	0.9
IOI Corporation	IOI MK	BUY	4.28	4.80	12.1	Jun-26	17.7	17.5	15.6	2.7	12.7	26,900.7	2.1
Kuala Lumpur Kepong	KLK MK	BUY	21.00	24.65	17.4	Sep-25	27.8	14.5	12.8	3.0	5.8	23,386.8	1.7

Source: Bloomberg, UOB Kay Hian

MPOB'S ApPR 26 Statistics

(m tonne)	Apr 25	Mar 26	Apr 26	mom % chg	yoy % chg	4M26	Yoy % chg
CPO Production	1.69	1.38	1.63	18.4	(3.4)	5.87	6.7
Palm Oil Domestic Use	0.34	0.36	0.36	2.1	7.9	9.37	1.5
Palm Oil Exports	1.10	1.52	1.30	(14.3)	18.0	3.54	0.2
Oleochemical	0.22	0.25	0.31	23.8	41.4	3.60	4.5
Biodiesel	0.02	0.01	0.04	193.0	60.4	1.46	4.1
Palm Oil Imports	0.06	0.07	0.08	13.5	30.1	5.41	26.3
Palm Oil Stocks	1.87	2.27	2.31	1.7	23.8	0.99	14.8
CPO Price (RM/tonne)	4,319.5	4321.0	4,567.5	5.7	5.7	4,245	(5.3)

Source: MPOB, UOB Kay Hian

APR 26 CPO Production By Region And State

(m tonne)	Mar 25	Feb 26	Mar 26	mom % chg	yoy % chg	4M26	Yoy % chg
Johor	0.25	0.20	0.25	29.1	0.9	0.89	4.5
Pahang	0.28	0.21	0.23	12.1	(17.3)	0.90	5.3
Perak	0.18	0.14	0.17	18.6	(6.8)	0.59	(1.0)
Negeri Sembilan	0.06	0.05	0.06	21.8	(4.3)	0.20	5.5
Selangor	0.05	0.04	0.05	20.6	(3.8)	0.17	(4.1)
Terengganu	0.04	0.03	0.04	15.7	4.6	0.13	30.4
Kelantan	0.03	0.03	0.03	15.6	(15.6)	0.11	23.3
Kedah	0.03	0.02	0.02	11.7	(24.4)	0.07	(11.5)
Other States	0.02	0.02	0.02	1.5	(16.2)	0.06	7.4
Pen Malaysia	0.94	0.73	0.86	19.1	(8.2)	3.12	4.2
Sabah	0.38	0.33	0.38	15.6	(1.0)	1.41	13.7
Sarawak	0.36	0.32	0.38	19.6	6.7	1.34	5.5
East Malaysia	0.74	0.65	0.77	17.6	2.8	2.75	9.6

Source: MPOB, UOB Kay Hian

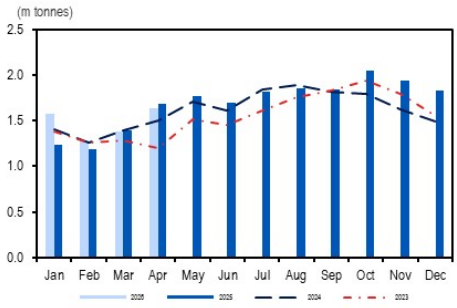
Valuation/Recommendation

- **Maintain OVERWEIGHT.** Despite expectations of a gradual build-up in palm oil inventories, we believe CPO prices should remain firmly supported at RM4,500 per tonne level, underpinned by structural demand growth from the expansion of regional biofuels mandate while the risk of supply tightening due to a potential El Nino in 2H26 could provide further upside. We reiterate our positive view on the sector as elevated CPO prices are anticipated to deliver net positive impacts to planters earnings over 2026/27, despite cost headwinds arising from higher fertiliser costs. We maintain our CPO price forecasts at RM4,500/tonne and RM4,400/tonne for 2026/27 respectively.
- **Top picks.** We like SD Guthrie as it is a liquid big-cap play against the bullish CPO price backdrop, and is also supported by the positive narratives of its pivot towards renewable energy and industrial park development. In addition, pure-play Hap Seng Plantations still trades at an inexpensive valuation and offers an attractive dividend yield of 5.5%. On the other hand, we also like Kuala Lumpur Kepong as a laggard pick, with its downstream business expected to record a progressive earnings recovery.

Sector Catalyst/Risk

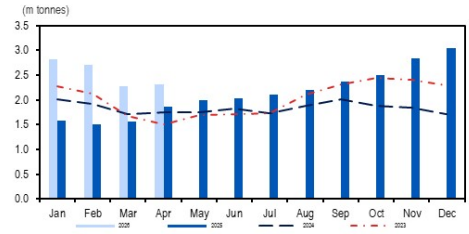
- Stronger-than-expected CPO prices.
- Recovery in downstream operators' sales margins.
- Potential weather disruptions, including El Nino in 2H26, curtailing industry supply.

Malaysia Palm Oil Production



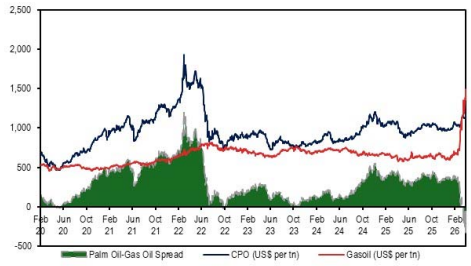
Source: MPOB, UOB Kay Hian

Malaysia Palm Oil Stocks



Source: MPOB, UOB Kay Hian

Palm Oil-Gas Oil Spread



Source: Bloomberg, UOB Kay Hian

Fertiliser Prices

Source: Bloomberg, UOB Kay Hian

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